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Philippines

Oilseeds and Products Annual

Philippine Oilseeds and Products Situation and Outlook

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Report Highlights:

The Philippines is the largest market for U.S. soybean meal (SBM) and the world's top coconut oil (CNO) exporter. Driven by strong feed demand from the domestic hog and poultry industries, SBM imports are forecast to reach a record 3.15 million tons in market year (MY) 19/20, up 200,000 tons from the previous year's level. U.S. SBM will continue to dominate the market, with less competition from Argentina and Brazil. For CNO, exports in MY 19/20 are forecast down five percent from the previous market year to 950,000 tons due to an oversupply of global palm oil as well as a predicted decline in copra production.

Executive Summary:

Philippine soybean production is negligible and the small amount of imports is purchased largely by a lone crusher. Bean imports are likely to increase 10 percent to 265,000 tons in MY 19/20 due to the opening of a soymilk plant currently under construction.

Copra production in MY 18/19 was pared down 70,000 tons to 2.63 million tons (which approximates industry's production forecast for calendar year 2019), as coconut trees are likely on the verge of stress after two years of heavy nut bearing and will produce less copra as a result.

Tree stress will become more pronounced in MY 19/20, with copra output forecast to decline by 130,000 tons to 2.5 million tons.

The domestic livestock and poultry industries continue to be the bright spots of Philippine agriculture. Overall, the livestock sector increased 1.9 percent in 2018 from the 2017 level, with hog production expanding 2.4 percent. Poultry's output grew 5.8 percent during the same period, and chicken production gained 5.2 percent. In 2018, next to rice (which accounts for around a fourth of total agricultural output), hog and chicken production contributed the most to Philippine agriculture, with shares of 15 percent and 9 percent, respectively. Both industries continue to consolidate and modernize. After a record 2.95 million tons in MY18/19, soybean meal (SBM) imports are expected to expand further to 3.15 million tons in MY 19/20 due to strong feed demand.

Copra meal exports are expected to stay flat at 350,000 tons through MY 19/20 as coconut trees likely take a 'rest' after consecutive years of heavy nut bearing.

Local soybean oil production and trade are insignificant due to the local preference for coconut oil (CNO) or palm oil (depending on price).

CNO is the top Philippine agricultural export. Post lowered CNO production by 48,000 tons to 1.71 million tons in MY 18/19 and projects MY 19/20 production to decline to 1.66 million, as coconut trees experience a downward cyclical period. Overall domestic CNO consumption, however, is expected to increase 50,000 tons from the previous market year to 710,000 tons through MY 19/20 due to subdued CNO prices as a result of a global vegetable oil glut. CNO exports are forecast to decline 50,000 tons to 950,000 tons in MY 19/20 due to the oversupply as well as to the expected decline in copra output.

Commodities:

Oilseed, Soybean

Oilseed, Copra

Production:

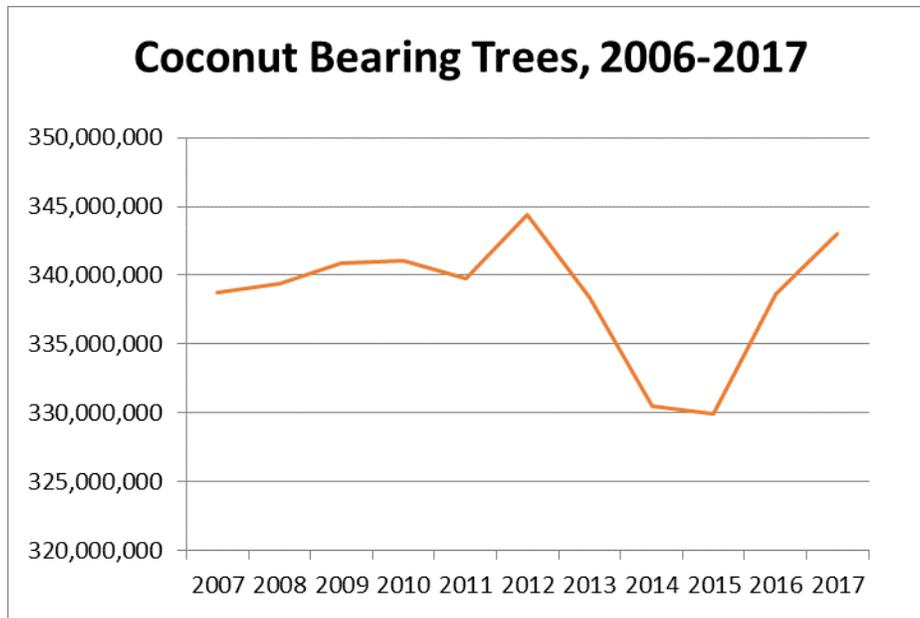
Local soybean production remains minimal and is expected to stay flat through MY 19/20.

Philippine agricultural output is largely a function of weather. The country is visited by roughly 20 typhoons annually, the majority of which occur in the second half of each year. Typhoon Mangkhut, one of the strongest storms in 2018, passed the northern Philippines in mid-September 2018 and resulted in heavy grain losses. Losses to coconuts, however, were minimal.

The United Coconut Association of the Philippines (UCAP) estimates coconut output in calendar year (CY) 2018 at 2.61 million tons, increasing marginally to 2.63 million tons in 2019. Copra output in October to September market year (MY) 18/19 was adjusted downwards as a result. Industry notes that two years of increasing nut-bearing is usually followed by declining output and that coconut trees are likely on the verge of stress. This 'rest' period combined with dryness in coconut growing areas in early 2019 as a result of an El Niño weather disturbance are likely to result in a five percent decline (to 2.5 million tons) in MY 19/20 copra production compared to the previous year's level.

On a long-term basis, copra productivity is constrained by predominantly old and less productive coconut palms, which constitute an estimated 20 percent of overall Philippine coconut trees. Coconut trees may start to bear nuts after 6-10 years but take around 15-20 years to reach their peak. Coconut trees have a long lifespan (80-90 years).

According to the Philippine Statistics Authority (PSA), coconuts may be found in close to 70 of the country's over 80 provinces, and cover around a quarter of agricultural land. PSA data show that in 2007 there were roughly 339 million coconut-bearing trees in the Philippines (see the following table). The number increased through 2012, reaching over 344 million trees. That growth stopped abruptly in 2013 when the Philippines suffered from Typhoon Haiyan, the strongest in Philippine history. The widespread damage contributed to the decline of coconut-bearing trees, with a low point of 330 million in 2015. Since then, however, the number has recovered to 339 million trees in 2016 and further expanded to 343 million trees in 2017 (most recent PSA data available). The Philippine Coconut Authority continues to pursue a coconut tree fertilization and replanting program to improve productivity.



Source: Philippine Statistics Authority

The coconut is called the "tree of life" and the industry provides livelihood for roughly one-third of the country's population, according to the PCA. Despite its substantial contribution to the Philippine economy, an estimated 60 percent of Filipino coconut farmers (estimated at around 3.5 million) remain poor and live below the poverty line. For decades traders at several layers have dominated the industry which has consistently received very low investments. As a result, local farmers continue to be saddled with inadequate and inferior postharvest and distribution facilities.

Domestic copra prices have been subdued for most of 2018 due to an oil glut in the international oil market. Copra prices in November dropped to around P15 (\$0.28) per kilo from over P40 (\$0.75) per kilo a few years ago, according to the Department of Agriculture (DA) (See OILS, Policy). In response, the DA recently met with local oil millers belonging to the Coconut Industry Investment Fund Oil Mills Group to discuss raising their copra buying mill-gate price. The millers reportedly have agreed to set the minimum copra buying price at P20 (\$0.38) per kilo.

The Philippine Government has been promoting palm oil production with modest success. According to the most recent data available from the PSA, palm oil area planted was flat at around 60,000 hectares in 2017 compared to the 2016 level. After peaking at 565,000 tons (in fresh fruit bunch) in 2010, local palm oil production has consistently decreased to roughly 440,000 tons in 2016, before it grew to 475,000 tons in 2017. According to academe, while the returns from palm oil production are more attractive compared to coconut production, promotional efforts have been opposed by some farmer groups and environmental activists. See the 2017 Oilseeds and Products Annual for more information.

Consumption:

Soybean crush is largely a function of bean imports. There is a lone soybean crusher in the country with limited capacity that imports a small volume of soybeans each year. No significant change in bean crush is expected through MY 19/20.

This lone soybean crusher is also currently building a soya drink facility in partnership with a Hong Kong-based beverage company. It is expected to begin operations in the second half of 2019. The plant, according to an industry contact, may import soymilk puree, powder, and/or whole beans. Currently, soy drinks in the Philippines are mainly imported from Hong Kong. Soybeans consumed for food use are forecast to increase to 45,000 tons in MY 19/20 as a result.

Copra is the dried meat of the coconut that is pressed to extract CNO. Overall crush capacity is estimated at 3.7 million tons. Copra crush was revised downwards 70,000 tons to 2.72 million tons in MY 18/19, consistent with similar adjustments made to copra production during the year. For MY 19/20, copra crush is expected to decline 120,000 tons to 2.60 million tons, reflecting the expected decrease in coconut production as coconut trees 'rest' after successive heavy nut-bearing years. In addition, anticipated dry conditions brought about by an expected El Niño episode in 2019 will negatively affect production in 2020.

Trade:

Soybean imports will increase 25,000 tons to 265,000 tons in MY 19/20, with over 80 percent expected to come from the United States. Expanding imports will be driven by increasing preference for full-fat soybean for feed use, based on prices. Less competition from Brazilian beans is expected as some farmers have reportedly resorted to hoarding due to lower port premiums, weak prices, and the relatively stronger Brazilian currency.

Copra imports in MY 19/20 are likely to increase modestly (10,000 tons) and reach 100,000 tons, as local production declines from the previous year's level.

Stocks:

Soybean ending inventories are expected to increase modestly over the next two years, reaching 37,000 tons in MY19/20. Soybean inventories are largely held by the private sector (e.g., traders and processors).

No changes in copra ending stocks are likely through MY 19/20. As with soybeans, copra stocks are mainly on-farm inventories and/or held by traders and processors.

Policy:

Executive Order No. 61 (EO 61), signed October 2011, took effect in January 2012 and set Most Favored Nation (MFN) tariff rates on a range of agricultural products. Soybean (HS Code 12.01) and copra (HS Code 12.03) duties remain at one percent and ten percent in 2019, respectively, unchanged from the previous year's level. Soybean imports, however, can enter duty-free if certified for use as a feed ingredient by the Philippine Bureau of Plant Industry (BPI) and the Bureau of Customs (BOC).

Soybean and copra imports originating from countries of the Association of South East Asian Nations (ASEAN) are duty-free in 2019. They are also duty-free if originating from non-ASEAN countries with

existing regional Free Trade Agreements (FTAs), including Australia, New Zealand, China, Korea, and Japan, among others. Soybean and copra imports under the ASEAN-India FTA (AIFTA) are subject to a 1 percent and 10 percent duty, respectively. These are the same rates as the MFN duties.

During the administration of then President Marcos in the 1970’s, a tax on copra was collected from coconut farmers. The taxes went to the coconut levy fund, which was supposed to help develop the industry, but it has been mismanaged and abused. The fund is now estimated at P100 billion (\$1.9 billion) and the Philippine Congress has crafted legislation that will govern the fund’s utilization and management.

The Philippine Senate ratified the bicameral conference committee report (reconciled version of Senate Bill 1223 and House Bill 5745) on the coconut levy trust fund in August 2018. The bill, called the Coconut Farmers and Industry Development Act, was among the priority legislative measures pushed by President Rodrigo Duterte in his third State of the Nation Address in July 23, 2018. The trust fund was to be managed by a reconstituted Philippine Coconut Authority (PCA). The bill was subsequently recalled by the Senate and a revised version resubmitted. In February 2019, President Duterte, however, vetoed the second bill, citing concerns over provisions that reportedly failed to ensure full utilization of the fund for its beneficiaries.

In September 17, 2018, President Duterte signed Executive Order No. (EO) 62, returning several Philippine government agencies, including the PCA, from the Office of the President (OP) to the Department of Agriculture (DA). Under EO 62, the DA Secretary will chair the PCA. The PCA had previously moved in the opposite direction, from the DA to the OP in 2014, through EO No. 165.

Production, Supply and Demand Data Statistics:

Oilseed, Soybean	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2018		Jan 2019	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0

Area Harvested	1	1	1	1	0	1
Beginning Stocks	69	69	30	30	0	31
Production	1	1	1	1	0	1
MY Imports	200	200	240	240	0	265
MY Imp. from U.S.	180	180	195	195	0	215
MY Imp. from EU	0	0	0	0	0	0
Total Supply	270	270	271	271	0	297
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	120	120	120	120	0	120
Food Use Dom. Cons.	25	25	25	25	0	45
Feed Waste Dom. Cons.	95	95	95	95	0	95
Total Dom. Cons.	240	240	240	240	0	260
Ending Stocks	30	30	31	31	0	37
Total Distribution	270	270	271	271	0	297
CY Imports	200	200	240	240	0	245
CY Imp. from U.S.	180	180	195	195	0	200
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
Yield	1	1	1	1	0	1

(1000 HA) ,(1000 MT) ,(MT/HA)

Oilseed, Copra	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						
Area Planted	0	3500	0	3500	0	3500
Area Harvested	3500	3500	3500	3500	0	3500
Trees	0	331000	0	331000	0	331000
Beginning Stocks	25	25	27	27	0	27
Production	2600	2600	2700	2630	0	2500
MY Imports	97	97	90	90	0	100
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	2722	2722	2817	2747	0	2627
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Crush	2695	2695	2790	2720	0	2600
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	2695	2695	2790	2720	0	2600
Ending Stocks	27	27	27	27	0	27
Total Distribution	2722	2722	2817	2747	0	2627
CY Imports	100	100	100	100	0	100
CY Imp. from U.S.	0	0	0	0	0	0
CY Exports	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0
Yield	0.7429	0.7429	0.7714	0.7514	0	0.7143

(1000 HA) ,(1000 TREES) ,(1000 MT) ,(MT/HA)

Commodities:

Meal, Soybean

Meal, Copra

Production:

Local SBM production remains insignificant and the industry is dependent on imports. No change in SBM output is expected through MY 19/20.

Copra meal is a by-product of the CNO extraction process. Copra meal output was pared down 11,000 tons to 900,000 tons in MY 18/19, consistent with downward adjustments made to copra crush during the year. Output is forecast to decrease 30,000 tons to 870,000 tons in MY 19/20 due to the decline in copra supply during the period.

Consumption:

According to PSA data, the Philippine economy expanded 6.1 percent in the last quarter of 2018, which was slower than expected. Full-year GDP growth reached 6.2 percent in 2018, slightly below the 6.5-6.9 percent Philippine government (GPH) growth target, and the weakest in three years. Still, this marked the seventh straight year that the Philippine economy grew by at least 6 percent, one of the highest in Asia. According to GPH economic planners, public spending was a strong driver of the economy last year.

GDP growth would have been faster in 2018 had it not been for increasing fuel and food prices. GPH planners had originally set a 2-4 percent inflation target for 2018 but food and fuel prices have been increasing since the start of 2018. Inflation peaked at 6.7 percent in September and October 2018, the highest in almost a decade, before easing to 6 percent in November due to improved food supply as well as weakening of oil prices. Inflation further slowed to 5.1 percent in December, and 4.4 percent in January 2019. Average inflation for 2018 settled at 5.2 percent, higher than the 2.9 percent in 2017. The Bangko Sentral ng Pilipinas (Philippine Central Bank) recently lowered its 2019 inflation forecast from 3.2 percent to 3.1 percent. The GPH expects GDP to continue growing by 6 to 7 percent in 2019, with household consumption to be the leading growth driver. Campaign-related spending leading to the May 2019 mid-term elections may also boost increased food consumption.

With an estimated 107 million Filipinos in 2017, the country is the 13th largest nation globally. It is also growing 1.7 percent annually, one of the fastest in the region. A median age of about 23 years, coupled with considerable overseas remittances (estimated at over \$25 billion annually), put the Philippines in what some analysts describe as a consumption ‘sweet spot.’ This is manifest in the flourishing food retail industry and increasing consumption of livestock and poultry products.

The domestic livestock and poultry industries continue to be the bright spots of Philippine agriculture. Next to rice, which accounts for over a fourth of total agricultural output, hog and chicken production contributed the most to Philippine agricultural output in 2018 with shares of 15 percent and 9 percent, respectively. Both industries continue to consolidate and modernize.

Overall, the livestock sector gained 1.9 percent in 2018 from the 2017 level, with hog production expanding 2.4 percent. Poultry’s output grew 5.8 percent in 2018 compared to the previous year’s level with chicken production gaining 5.2 percent. Hog feeds account for an estimated 60 percent of overall feed production; poultry feeds are roughly 25 percent, and aquaculture and other animal feeds comprise 15 percent.

Animal feed production specific to the Philippines in 2018, however, is not readily available. According to the 2019 Alltech Global Feed Survey, Indonesia, Vietnam, the Philippines, and Thailand account for 93 percent of Southeast Asia's feed production and the region's feed output represents over 20 percent of the Asia-Pacific region's feed production. The same survey in 2018 estimates the number of Philippine feed mills at around 3,000 and feed production at around 17 million tons.

The industry's structure is composed of: (1) commercial producers, who are solely engaged in the feed manufacturing business; (2) integrated farm feed millers, who are engaged in livestock production and at the same time sell feeds commercially; and (3) on-farm feed millers, who produce feeds for their own farms. The domestic feed milling industry continues to consolidate and modernize, servicing the feed needs of the growing livestock and poultry industries. What used to be an industry led by on-farm feed mixers in the early 1980s is now one of the fastest growing agricultural enterprises, dominated by large commercial players.

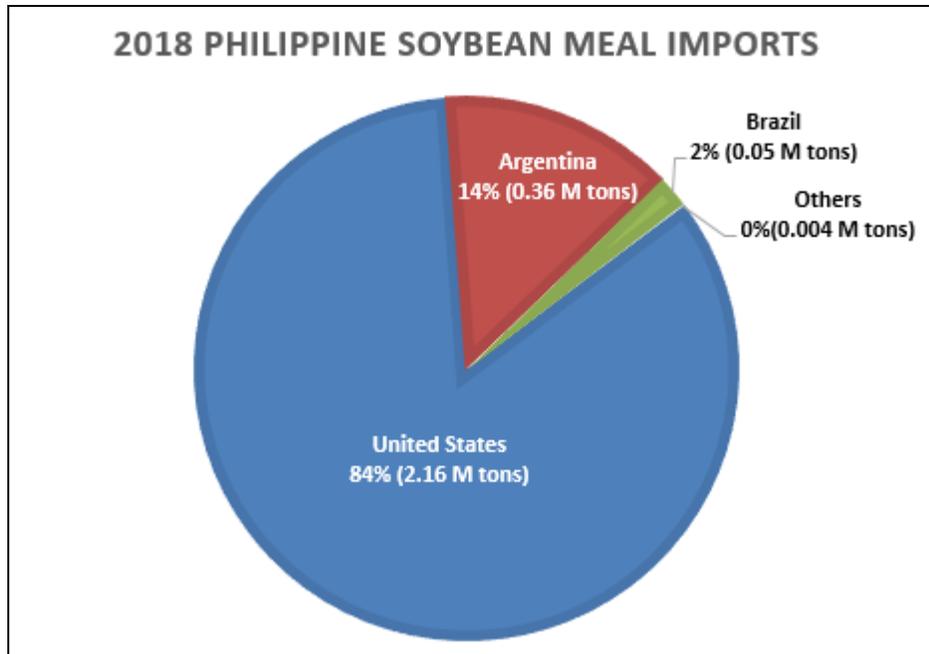
SBM demand is expected to increase to 3.15 million tons in MY 19/20 as local livestock and poultry raisers capitalize on the growing consumption of meat and meat products, driven by an expanding economy and rising incomes.

As mentioned in previous annual reports, copra meal is not a protein substitute for SBM and is used primarily as feed filler. Because of this, it is not commonly used in large amounts by serious commercial hog raisers. Postharvest handling facilities also result in quality issues such as aflatoxin contamination as well as considerable copra meal spoilage losses. Copra meal consumption (inclusive of losses) in MY 19/20 is forecast to decline 40,000 tons to 520,000 tons on decreased copra output and crush as a result of coconut trees' downward cyclical period.

On the other hand, distillers dried grains with solubles (DDGS) are mainly used in integrated hog and poultry operations. According to industry, DDGS inclusion levels are typically 3 to 8 percent for broiler feed, 5 to 15 percent for layer feed and 3 to 10 percent for swine feed. Total maximum DDGS demand in the Philippines is estimated at 530,000 tons at the maximum inclusion levels. Consistency and color are concerns raised by local contacts over the use of DDGS.

Trade:

According to U.S. Customs data, Philippine SBM imports from the United States reached a record \$888 million in 2018, making the country the largest market in the world for U.S. SBM for the second year in a row.



The United States was the largest supplier of SBM to the Philippines in 2018, accounting for 84 percent of overall imports, according to Global Trade Atlas (GTA) data. Strong feed demand by the local livestock and poultry industries in the next two years is expected to drive SBM imports to record levels again in MY 18/19 and MY 19/20 (2.95 million tons and 3.15 million tons, respectively). The United States is expected to maintain its dominance of the market, enhanced by less competition from Argentina and Brazil (due to low bean prices and hoarding). U.S. market share is expected to strengthen further as a result of trade issues among traditional major bean and soy product markets. A new Argentine tax scheme that puts an equal levy on exports of soy products and raw beans will also likely result in less Argentine bean crush and SBM output.

Copra meal exports are expected to stay flat at 350,000 tons in MY 19/20, with only a modest decline in production during the year. Korea and Vietnam are likely to remain as the top destinations for Philippine copra meal exports during this period.

In 2018, Philippine imports of DDGS surged 52 percent to 209,000 tons, expanding from 138,000 tons in 2017, according to preliminary GTA-exporter data. DDGS from the United States dominated imports during the period.

Stocks:

SBM inventories are flat from MY 17/18 to 19/20, averaging about 245,000 tons as the bulk of supply is used for feed to fuel an expanding poultry and livestock sector. SBM stocks are mainly held in storage by the private sector (e.g., traders and feed millers).

Copra meal stocks were revised downwards by 11,000 tons to 106,000 tons in MY 18/19, reflecting similar adjustments made to copra meal production during the year. Copra meal stocks are likely to remain at this level in MY 19/20 as copra meal production slightly declines. Like SBM, copra meal inventories are largely private sector held.

Policy:

Imports of copra meal (HS Code 2306.50.00) will continue to be levied a 10 percent MFN tariff in 2019. On the other hand, imported SBM (HS Code 23.04) and DDGS (HS Code 230330) both carry a zero percent and one percent MFN duty, respectively. However, they can be brought in duty-free for feed use if inspected and certified by BPI, BAI, and the BOC. Copra meal, SBM, and DDGS imports are duty-free if coming from ASEAN-member countries.

In late January 2019, the Philippine Senate passed the P3.757 trillion (\$70.9 billion) national budget for 2019, marginally lower than the P3.767 (\$71.1 billion) budget in 2018. The 2019 budget has two major priorities: investment in infrastructure and education. The DA has a proposed 2019 budget of P49 billion (\$0.92 billion) lower than the P53 billion (\$1 billion) allocation during the previous year. While a bicameral conference committee is currently finalizing the 2019 national budget, delays in its approval have hampered GPH spending, forcing GPH economic planners to reduce 2019 GDP growth targets from 7-8 percent to 6-7 percent. The GPH has been operating under a reenacted budget since the start of 2019.

Production, Supply and Demand Data Statistics:

Meal, Soybean	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2018		Jan 2019	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						
Crush	120	120	120	120	0	120
Extr. Rate, 999.9999	0.7833	0.7833	0.7833	0.7833	0	0.7833
Beginning Stocks	253	253	247	247	0	241
Production	94	94	94	94	0	94
MY Imports	2750	2750	2950	2950	0	3150
MY Imp. from U.S.	2100	2100	2300	2300	0	2455
MY Imp. from EU	0	0	0	0	0	0
Total Supply	3097	3097	3291	3291	0	3485
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	2850	2850	3050	3050	0	3240
Total Dom. Cons.	2850	2850	3050	3050	0	3240
Ending Stocks	247	247	241	241	0	245
Total Distribution	3097	3097	3291	3291	0	3485

(1000 MT) ,(PERCENT)

Meal, Copra	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
Market Begin Year	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Philippines						

Crush	2695	2695	2790	2720	0	2600
Extr. Rate, 999.9999	0.3265	0.3265	0.3265	0.3309	0	0.3346
Beginning Stocks	155	155	116	116	0	106
Production	880	880	911	900	0	870
MY Imports	0	0	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1035	1035	1027	1016	0	976
MY Exports	379	379	350	350	0	350
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	0	0	0	0	0	0
Feed Waste Dom. Cons.	540	540	560	560	0	520
Total Dom. Cons.	540	540	560	560	0	520
Ending Stocks	116	116	117	106	0	106
Total Distribution	1035	1035	1027	1016	0	976
(1000 MT) ,(PERCENT)						

Commodities:

Oilseed, Soybean
Oil, Coconut

Production:

Philippine soybean oil (SBO) production continues to be insignificant relative to overall Philippine vegetable oil production, and is supported largely by imported beans. SBO production is expected to be flat through MY 19/20.

CNO output in MY 18/19 was pared down 48,000 tons to 1.71 million tons, reflecting downward adjustments made to copra production and crush during the period. For MY 19/20, CNO output is expected to contract further to 1.66 million tons, consistent with the projected decrease in copra production during the year.

Consumption:

SBO is mainly used for mayonnaise and salad dressings, and the local industry does not consider it to be a complete CNO substitute. Food use of SBO is minimal relative to overall edible oil usage. SBO consumption is expected to stay flat through MY 19/20.

CNO is the preferred oil, as long as prices remain stable. It is used as a raw material in making margarine, shortening, and milk fat substitutes and in biscuit and cracker production. CNO food use consumption is expected to be flat in MY19/20, as overall CNO output is likely to decline from the previous year's level. This coincides with the expected further softening of palm oil prices as a result of a recent European Union (EU) ruling (see OILS, Trade). The narrowing price differential resulted in increased CNO competitiveness.

Industrial CNO consumption is mainly composed of coconut methyl ester (CME) and other oleochemical production. Oleochemicals are used in the production of laundry detergents and other personal care items such as toothpaste, soap bars, shower cream, and shampoo. Implemented in 2007,

the Philippines also has a Biofuels Law that mandates the blending of biodiesel in petroleum diesel sold in the country. CME is used in Philippine biodiesel production. The current blend is at two percent and at this level, requires roughly 130,000-140,000 tons of CNO. Although there have been calls to raise the blend, no change in biodiesel blend is expected through MY 19/20 (see OILS, Policy).

Trade:

After marginally declining in MY 18/19, SBO imports in MY 19/20 are expected to increase slightly to 49,000 tons in MY 19/20 due to the diversifying diet of the growing middle class.

CNO exports in MY 19/20, on the other hand, are anticipated to decline 50,000 tons from the previous market year to 0.95 million tons, as copra crush decreases due to the decline in copra production.

According to preliminary GTA exporter-data, from 1.2 million tons in 2017, palm oil imports considerably declined (58 percent) to 0.5 million tons in 2018, as the price premium of coconut oil tightened. Industry notes that the price premium of CNO over palm oil dropped 55 percent from \$888 per ton in 2017 to \$396 per ton in 2018. Industry estimates palm oil imports at 1.13 million tons (based on Oil World data), flat compared to 1.16 million tons in 2017.

However, a potential trade dispute between the EU and the world's top palm oil producers (Indonesia and Malaysia) may result in the widening of the price differential in favor of CNO. The EU very recently (March 2019) concluded that palm oil use in biofuels should be removed by 2030, as its cultivation results in massive deforestation. According to press reports, the stricter limits on how palm oil is used may result in a decrease in palm oil prices.

Stocks:

SBO inventories are negligible and no changes in SBO stock levels are projected through MY 19/20. SBO stocks are private sector held.

For CNO, stocks are likely to remain flat at 197,000 tons in MY 19/20 due to the decline in copra production. The majority of CNO stocks are with private processors and traders.

Policy:

EO 61 raised tariffs for crude CNO (HS Code 15.13.1100) from three to ten percent through 2019. However, imports of CNO are duty-free in the AFTA. Imports of SBO (HS Code 15.07) are subject to a seven percent MFN duty through 2019 but may be imported free of duty if originating from ASEAN member countries and countries with ASEAN-FTAs (except India which levies a 7 percent duty).

Palm oil imports (HS Code 15.11) in 2018 are levied a 15 percent MFN tariff under EO 61, but are duty-free under the AFTA.

In response to declining copra prices in 2018, the DA is also pushing for raising the coconut methyl ester (CME) blend in the Philippine biodiesel program from B2 to B5. Raising the CME blend would raise CNO demand by around 210,000 tons. The Joint Congressional Oversight Committee on Biofuels from the House of Representatives, however, opposed raising the biodiesel blend, as it would only increase diesel pump prices.

The DA is also recommending the imposition of quantitative restrictions on palm oil imports (from Malaysia and Indonesia), noting the surge in palm oil imports over the last five years. A resolution was recently filed in the House of Representatives urging the Department of Trade and Industry (DTI) and other concerned agencies to disallow the importation of palm oil, according to a press article. Public hearings have to be conducted for this resolution to make progress. To date, Post is not aware of any held palm oil shipments.

Production, Supply and Demand Data Statistics:

Oil, Soybean	2017/2018		2018/2019		2019/2020	
Market Begin Year	Jan 2018		Jan 2018		Jan 2019	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	120	120	120	120	0	120
Extr. Rate, 999.9999	0.175	0.175	0.175	0.175	0	0.175
Beginning Stocks	8	8	5	5	0	5
Production	21	21	21	21	0	21
MY Imports	45	45	47	47	0	49
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	74	74	73	73	0	75
MY Exports	0	0	0	0	0	0
MY Exp. to EU	0	0	0	0	0	0
Industrial Dom. Cons.	0	0	0	0	0	0
Food Use Dom. Cons.	69	69	68	68	0	70
Feed Waste Dom. Cons.	0	0	0	0	0	0
Total Dom. Cons.	69	69	68	68	0	70
Ending Stocks	5	5	5	5	0	5
Total Distribution	74	74	73	73	0	75

(1000 MT) ,(PERCENT)

Oil, Coconut	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Philippines	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush	2695	2695	2790	2720	0	2600
Extr. Rate, 999.9999	0.6301	0.6301	0.6301	0.6287	0	0.6385
Beginning Stocks	28	28	197	197	0	197
Production	1698	1698	1758	1710	0	1660
MY Imports	0	0	0	0	0	0

MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0
Total Supply	1726	1726	1955	1907	0	1857
MY Exports	869	869	1000	1000	0	950
MY Exp. to EU	404	404	400	400	0	400
Industrial Dom. Cons.	420	420	450	450	0	450
Food Use Dom. Cons.	230	230	250	250	0	250
Feed Waste Dom. Cons.	10	10	10	10	0	10
Total Dom. Cons.	660	660	710	710	0	710
Ending Stocks	197	197	245	197	0	197
Total Distribution	1726	1726	1955	1907	0	1857
(1000 MT) ,(PERCENT)						